



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

BRIEFING: MARCH 2010 FINANCE COMMITTEE - Agenda Item #2

TO: Committee Chairman Crane and Committee Members Schenk and Umberg

FROM: Mehdi Morshed, Executive Director

DATE: 02/23/10

RE: Financial Consultant Scope of Work

Description/Background

In August 2006 the Authority issued a Request for Proposal to hire a consultant for the development of a “Financial Plan”. At that time the Authority was moving from the planning phase of the project into implementation. With the information gathered during the Program Environmental process a “scope of work” was developed that would fit the Authority’s needs during the start-up phase.

During the ensuing years the financial situation for the high-speed train project has been maturing and more details regarding the project are continuing to emerge. As the picture of the high-speed train program comes into focus it has become evident that in order to see this project to fruition an innovative approach to financing is needed.

The validation of the high-speed train project through the passage of Proposition 1A and the awarding of American Reinvestment and Recovery Act funds has increased the demand for information, especially financial data. The Authority needs to have the ability to respond quickly and accurately to these requests, as well as providing periodic financial updates.

The current incumbent’s scope of work does not allow for the flexibility in the identification and pursuit of funding partners, nor does it include the resources needed to respond to inquiries and the preparation of updates to the financing plan.

Attached are some suggestions regarding an updated scope of work for board discussion.

Attachments:

- ✓ Current “Scope of Work”
- ✓ Suggested “Scope of Work”

CURRENT “SCOPE OF WORK” FOR FINANCIAL PLAN CONTRACT

II. SCOPE OF WORK

The objective of the Financing Plan (PLAN) is to develop a financing strategy and model for the full implementation of the high-speed train system. With a long-term project of this scope the financing strategy/model will require innovative financing methods as well as the more traditional funding approaches. Once the initial phase, detailed below, is completed the Contractor/Team will remain on-call to analyze and advise the Authority on changes and new developments to funding availability.

The initial phase work plan for the PLAN should include, but is not limited to following elements:

- A) Identification of viable funding sources
- B) Determine the schedule for fund need and availability
- C) Development of potential financing strategies
- D) Development of a financial model
- E) Debt Repayment Schedule
- F) Development of Statement of Revenues and Expenditures
- G) Identify ways to optimize the public utility of the HST right-of-way and infrastructure
- H) Economic Impact Analysis
- I) Provide On-Going Technical Expertise
- J) Provide financial advice and support to the Authority

A. Identification of Viable Funding Sources

The Contractor shall identify, evaluate and estimate all potential funding mechanisms to finance the planning, construction, operation and maintenance phases of the HST system which include but are not limited to the following:

- Public funds – federal, state, regional and local sources
- Private Investment – domestic and foreign
- Public Private Partnership
- Tax Exempt Bonds
- Tax Exempt Industrial Development Bonds
- Revenue Bonds
- System generated – farebox, freight service, concession, right-of-way sharing, joint development, etc...

B. Determine the Schedule for Fund Need and Availability

The Contractor will develop a cash flow analysis for the design and construction phases of the project as well as a cash flow analysis for the operational phased considering when portions of the system become available for service and operation of the entire system.

C. Development of Potential Funding Strategies

Based on the information developed during the identification of viable funding sources and the cash flow analysis' the Contractor shall develop a variety of funding scenarios for the Authority's consideration.

D. Development of the Financial Model

The Contractor shall develop a dynamic financial model which will allow the Authority to analyze the impact of funding developments/changes as they are proposed or occur on the project implementation. The Contractor will train Authority staff on the use of the model.

E. Debt Repayment Schedule

Utilizing the financing model the Contractor will devise potential debt repayment schedules.

F. Development of Statement of Revenues and Expenditures

The Contractor shall develop a projected statement of revenues and expenditures for the 1st, 10th, 15th, and 20th year of operations (these time periods are flexible and are dependent on the ridership projection time elements).

G. Identify ways to Optimize the Public Utility of the HST System

The contractor shall identify ways to optimize the public utility of the HST system which would provide benefit to the project either monetarily or other.

H. Economic Impacts Analysis

The objective of the PLAN is to develop a viable financing scheme which permits the full implementation of the HST system. The CONTRACTOR/TEAM will need to create an economic case to support the PLAN that demonstrates institutional practicality. In order to create a credible PLAN, the CONTRACTOR/TEAM must fully understand and communicate the project economics; its benefits and costs. This work shall include, but not be limited to, the following efforts:

- A traditional cost-benefit analysis such as the one carried out in previous studies could be understating the potential long-term benefits of a HST network. Utilizing examples of overseas high-speed train systems, large infrastructure investments, and other creative approaches, the CONSULTANT/TEAM shall estimate the impacts of a statewide HST network.
- Many of the potential benefits of HST are difficult to quantify. For example, the value to California for improved accessibility to fast growing regions like the Central Valley, or for revitalizing the state's major urban centers, or for utilizing electric power is also unknown. These are the type of benefits which must be explored.

- Identify those who would receive the greatest benefit from the construction and operation of a statewide HST system and work to reduce the state's contribution by incorporating value-capture financing into the PLAN.
- Identification, investigation and analysis of regional and local economic impacts.
- Impacts of revised ridership forecasts, alternative construction phasing, and other factors should be taken into account when creating the PLAN.

I. Providing Ongoing Technical Expertise

An important component of the Authority's effort is the public's acceptance and confidence in the PLAN and economic impact analysis. These findings will be presented at public workshops and hearings. It is important to the credibility of the Authority that the CONTRACTOR/TEAM attend these public meetings to respond to questions and receive input from the general public, transportation professionals, planners, etc.

J. Provide Financial Advice and Support to the Authority

**Preliminary Draft of Revised
“Scope of Work”
For Financial Advisor Services**

The responsibility and activities of the financial advisor will be to assist the Authority in carrying out its work of planning, building and operating of a high-speed train network as outlined in the Business Plan of 2009. The tasks to be performed and the deliverables shall include, but are not limited to the following:

- Periodic review and update of the financial plan to be incorporated in future business plans.
- Performing financial analysis and securing funding for specific segments of the high-speed train system.
- Preparing plans and documents for financial elements of future contracts.
- Seeking private financing for individual segments or contracts and assisting in the evaluation of financial elements of proposals.
- Developing a clearinghouse for receiving and updating proposals for private financing.
- Performing financial analysis of local, state and federal laws, proposed legislation and or regulations.
- Development and executive of a merit based and strictly objective evaluation of all future contracts and recommendation of best value to the Authority to be used for award of contracts.
- Searching for innovative financing methods for potential private investors.